



MICHIGAN FILM INDUSTRY ASSOCIATION

Good morning, Honorable Representatives of the House Commerce and Tourism Committee. Thank you for your time this morning to talk about the film industry and about our very exciting **Transferrable Film Tax Credit Bill** for Michigan.

My name is Brian Kelly, and I am joined here today by my colleagues Peter Klein and Michael Anderson. The three of us are veteran film industry professionals who have worked most, if not all, of our careers in Michigan. Peter is a director of photography; Michael and I work in the lighting and grip departments. What we have in common is a passion for our chosen profession and a desire to have our industry thrive again in the state we love to call home ... **Michigan**.

Our primary mission in crafting our film tax credit proposal for Michigan is to create **jobs, jobs jobs** ... and to produce a positive ROI by keeping the maximum revenue in our state. We feel we have that bill ... one that can garner support from both sides of the political aisle. Imagine, Republicans and Democrats on the same positive side of legislation. Sounds like a good movie concept ... It can happen!

Currently, there are more than states and municipalities, along with 97 countries worldwide, that offer some sort of film incentive program. I'm fairly certain most of you have read or heard something about the successes of Georgia, Louisiana, Illinois and Pennsylvania with their respective film incentive programs. It's time for us to compete for this business ... especially now, coming out of the horrible COVID pandemic. So many Michiganders have been seriously hurt economically.

The Michigan Film Industry Association started out as a small group of passionate industry professionals who shared a concern about the dwindling film industry in Michigan. We felt we were missing out on an exceptional opportunity to do something really positive for our community and state. We decided to act. After several years of meetings, research and organizing, we have grown in membership. We now have a bill, and we are proud to have Senator Adam Hollier sponsoring our efforts in the Senate.

The film industry is one of the highest revenue-producing businesses in the world. The demand for content is skyrocketing as a result of competing streaming services. Film projects are stacking up in great numbers. Where? In states that offer incentives. It's simply good business sense. It's noteworthy that we would be competing against our neighbors Ohio, Illinois and Pennsylvania that all have film incentives.

When production companies come into a community, they spend millions of dollars on hardware stores, paint supplies, lumber yards, warehouse space, security, catering, restaurants, hotels and other small businesses. Successful programs result in additional ancillary businesses, opening in the state and hiring more personnel.

We accommodate large numbers of out-of-town personnel. They need transportation ... they have to eat.... they spend their per diems at shopping malls and golf courses on their precious days off. Numerous businesses feel the economic boost when so many visitors spend 3 to 6 months away from home in our great state.

As film programs develop, in time, brick and mortar operations increase. We've witnessed how these businesses have sprung up in Georgia, Louisiana and Illinois, for example, and how they've thrived – all due to the growing film production activity within their state. I just read this week that in Chicago, Dick Wolf Productions, (you know the executive producer of all those Chicago episodic shows) has committed to building a 60-million-dollar studio complex.

The local workforce grows with the success and longevity of the programs. Kids graduate from film-centric curriculum schools and, remarkably, stay in-state to develop exciting careers. Over the years, we have seen many, now famous, creative individuals grow up and leave Michigan for greener pastures. Wouldn't it benefit us all to have our best creative talent stay here and have the opportunity to give back to the communities where they were raised? A successful film credit incentive program means talent will stay in our state, raise families and boost the tax base.

In many states, film production is part of tourism because of the synergy between the two.

In states where movies are made, tourism receives a significant boost. In Philly, the steps of the Philadelphia Museum of Art after many years are still referred to as the "Rocky Steps." And folks from around the country continue to visit Mackinaw Island just to stay at the Grand Hotel where "Somewhere in Time" was filmed.

I hope that I've been able to make my point with you this morning, why we believe so strongly in the urgent need for a film Incentive legislation in Michigan.

Fortunately, we've had the benefit of learning from other states, how they have succeeded with their film credit programs. We've observed and studied what has worked and what has failed. We've consulted with professionals who have helped craft our legislation.

We have focused on:

- qualified expenses;
- protection against pass-through abuses;
- 30% incentive for in-state employees and 20% for out-of-state workers; and
- no big credit payouts to actors, producers and directors to name a few issues.

To understand how a transferrable tax credit works, let me share an example with you. Paramount comes in, let's say, submits its application and spends 100 million dollars in qualified expenses.

Since Paramount will not likely have a Michigan tax liability, they can sell it on the exchange to another Michigan business that has large tax liabilities, such as GM, Ford, Chrysler, Kellogg's or Comcast. Typically, as in other states with similar programs, the credit is sold for somewhere between 80 and 90 cents on the dollar. This is how productions turn their credits into cash and how Michigan businesses get a discount on their own tax liabilities.

No money is refunded by the state, and no money comes out of a general fund. It is a credit against an unrealized Michigan tax liability. This entire process often takes up to 3 years. So, the great benefit to Michigan is that the Treasury collects revenue from productions well in advance of any credit redemption.

Historically, film incentive programs have a better ROI than most other incentive programs in most states. You have a better return on your investment. The state will generate a positive ROI.

Thank you again for your time and attention.

At this point, my associates and I would be happy to take your questions.

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*The Michigan Film Industry Association is located at 117 E. Kalamazoo St. in downtown Lansing.
To reach MiFIA, call 517-580-7710 or visit www.mifia.org.*